

ORIGINAL

OPEN MEETING AGENDA ITEM



SOUTHWEST GAS CORPORATION



2012 AUG -1 P 1:55

July 31, 2012

AZ CORP COMMISSION
DOCKET CONTROL

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2996

Re: **Docket No. G-01551A-10-0458; Decision No. 72723**

Pursuant to ordering paragraph #6, of the Commission's Opinion and Order in the above referenced docket, Southwest Gas Corporation hereby submits its quarterly compliance report regarding the Energy Efficiency Enabling Provision.

If you have any questions, please contact me at (702) 876-7163.

Respectfully,

A handwritten signature in cursive script, appearing to read "Debra S. Gallo".

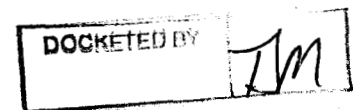
Debra S. Gallo, Director
Government & State Regulatory Affairs

Enclosures

c Steve Olea, ACC
Bob Gray, ACC
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Arizona Corporation Commission
DOCKETED

AUG 01 2012



Southwest Gas Corporation Energy Efficiency Enabling Provision 2012 2nd Quarter Compliance Report

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SOUTHWEST GAS CORPORATION

I. INTRODUCTION

Southwest Gas Corporation hereby submits its 2012 second quarter report on the performance of the Energy Efficiency Enabling Provision (EEP).

In its Opinion and Order in Docket No. G-01551A-10-0458, Decision No. 72723 (Decision), the Arizona Corporation Commission (Commission) authorized Southwest Gas Corporation (Southwest Gas or the Company) to implement the EEP, whereby Southwest Gas was granted authority to implement a monthly billing adjustment that adjusts customer bills when actual weather varies from the normalized weather used in the development of authorized rates. The EEP also tracks the non-weather differences in actual margin compared to authorized margin and includes a process to recover margin under collections from and return margin over collections to customers. The combination of these two components results in the Company recovering the margin per customer authorized by the Commission, no more, no less.

During the second quarter, Southwest Gas' customers experienced weather that was slightly colder overall than the historical average. As a result, customers, on average, received bill credits consistent with weather that was colder than the normal weather used to develop rates.

II. DISCUSSION

This report is for the quarterly period April 1, 2012 through June 30, 2012. Bill analyses have been prepared by residential and non-residential sectors and by rate schedule. The rate schedules included in the residential sector are Single-Family Residential (Schedule No. G-5), Multi-Family Residential (Schedule No. G-6), Single-Family Low-Income Residential (Schedule No. G-10), and Multi-Family Low-Income Residential (Schedule No. G-11). The rate schedules included in the non-residential sector are Small General Service (Schedule No. G-25(S)), Medium General Service (Schedule No. G-25(M)), Large-1 General Service (Schedule No. G-25(L1)), and Large-2 General Service (Schedule No. G-25(L2)).

As described above, the EEP contains two components, a monthly weather bill adjustment and non-weather margin tracking. The non-weather margin tracking component compares authorized margin to actual margin and recovers or returns differences between authorized and actual margin in a rate adjustment. The non-weather tracking component will have no effect on customer bills until the Commission approves a rate adjustment after the first year of the EEP. Therefore, this quarterly report only shows the effect of the monthly weather adjustment on customer bills.

Table 1 summarizes the quarterly bills for the residential and non-residential sectors.

Table 1- Average Bill by Sector			
	<u>W/EEP Adjustment</u>	<u>W/O EEP Adjustment</u>	<u>Difference</u>
Residential Sector	\$31.59	\$31.67	(\$0.08)
Non-Residential Sector	\$408.48	\$408.92	(\$0.44)

(07/2012)

*AZ Energy Efficiency Enabling Provision-Compliance Report
Docket No. G-01551A-10-0458
Decision No. 72723*

Table 2 summarizes the quarterly results for each customer class included in the EEP.

Table 2- Average Bill by Customer Class			
	<u>W/EEP Adjustment</u>	<u>W/O EEP Adjustment</u>	<u>Difference</u>
Single Family Residential	\$32.25	\$32.33	(\$0.08)
Low Income Single Family	\$22.58	\$22.73	(\$0.15)
Multi Family Residential	\$25.07	\$25.13	(\$0.06)
Low Income Multi Family	\$20.16	\$20.27	(\$0.11)
Small General Service	\$63.55	\$63.82	(\$0.26)
Medium General Service	\$232.09	\$232.62	(\$0.54)
Large-1 General Service	\$1,130.85	\$1,131.30	(\$0.45)
Large-2 General Service	\$5,080.97	\$5,082.37	(\$1.39)

Attachment I contains schedules showing the development of the differences between average bills with the EEP adjustment and average bills without the EEP adjustment for residential/non-residential sectors and for each rate schedule for the months of April and May and by quarter. The weather mechanism is applicable to winter season bills (November 1 through April 30) and is not reflected in June bills, consequently, there is no difference between June bills with and without the EEP adjustment.

III. SUMMARY

The monthly adjustment component of the EEP has performed as expected and resulted in an overall reduction to customers' bills as the actual weather was colder than the normal weather used to develop the Company's rates.

Since the introduction of the EEP on January 1, 2012, the Company has worked to educate its customers about decoupling. The Company has developed web based materials that provide customers with information about decoupling, has provided enhanced training to its customer service representatives in order to assist them in responding to customer inquiries about the EEP, and has developed internal procedures to address customer questions and concerns. These efforts have contributed to a high level of customer acceptance, as evidenced by a comparison of the customer inquiries after the Company's previous rate case and the customer inquiries the Company received since the recent rate case. Customer call volume is approximately 40 percent lower for the period after the implementation of new rates and the EEP than the call volume after the previous rate case. Nevertheless, the Company stands ready to further enhance its customer outreach if warranted.

It is also noteworthy that subsequent to the *Moody's Investors Service* upgrade that was reported in the 2012 first quarter report, *Fitch Ratings* has upgraded the senior unsecured ratings of Southwest, affirmed the long term Issuer Default Rating (IDR) at 'BBB+', and revised the Rating Outlook to Positive from Stable. In its report, Fitch cites the Commission's approval of the EEP as a consideration in its upgrade.

The Company will continue to closely monitor the performance and customer understanding of the EEP and looks forward to sharing its ongoing experience with the Commission in future quarterly and annual reports.

ATTACHMENT I

SUMMARY OF MONTHLY BILL IMPACTS WITH AND WITHOUT ENERGY EFFICIENCY ENABLING PROVISION ADJUSTMENTS BY SECTOR AND RATE SCHEDULE

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
AVERAGE MONTHLY BILLS WITH AND WITHOUT EEP
APRIL 2012 THROUGH MAY 2012
TOTAL ARIZONA

Line No.	Description	With EEP	Without EEP	Difference	Line No.
Residential Sector					
1	Bills	1,744,551	1,744,551	0	1
2	Volume (Therms)	30,716,101	30,922,466	(206,365)	2
3	Revenue	\$ 55,102,126	\$ 55,242,363	\$ (140,237)	3
4	Average Volume	17.6	17.7	(0.1)	4
5	Average Revenue	\$ 31.59	\$ 31.67	\$ (0.08)	5
6	EEP % of Average Revenue			-0.25%	6
Non-Residential Sector					
7	Bills	61,487	61,487	0	7
8	Volume (Therms)	24,364,225	24,420,252	(56,027)	8
9	Revenue	\$ 25,116,213	\$ 25,143,192	\$ (26,979)	9
10	Average Volume	396.3	397.2	(0.9)	10
11	Average Revenue	\$ 408.48	\$ 408.92	\$ (0.44)	11
12	EEP % of Average Revenue			-0.11%	12

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Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-5 - Single-Family Residential					
1	Bills	1,610,454	1,610,454	0	1
2	Volume (Therms)	28,723,299	28,901,662	(178,363)	2
3	Revenue	\$ 51,944,556	\$ 52,069,954	\$ (125,398)	3
4	Average Volume	17.8	17.9	(0.1)	4
5	Average Revenue	\$ 32.25	\$ 32.33	\$ (0.08)	5
6	EEP % of Average Revenue			-0.24%	6
G-10 - Low Income Single-Family Residential					
7	Bills	70,044	70,044	0	7
8	Volume (Therms)	1,173,850	1,195,455	(21,605)	8
9	Revenue	\$ 1,581,360	\$ 1,591,994	\$ (10,634)	9
10	Average Volume	16.8	17.1	(0.3)	10
11	Average Revenue	\$ 22.58	\$ 22.73	\$ (0.15)	11
12	EEP % of Average Revenue			-0.67%	12
G-6 - Multi-Family Residential					
13	Bills	58,016	58,016	0	13
14	Volume (Therms)	734,929	739,946	(5,017)	14
15	Revenue	\$ 1,454,518	\$ 1,458,043	\$ (3,525)	15
16	Average Volume	12.7	12.8	(0.1)	16
17	Average Revenue	\$ 25.07	\$ 25.13	\$ (0.06)	17
18	EEP % of Average Revenue			-0.24%	18
G-11 - Low Income Multi-Family Residential					
19	Bills	6,037	6,037	0	19
20	Volume (Therms)	84,023	85,403	(1,380)	20
21	Revenue	\$ 121,692	\$ 122,372	\$ (680)	21
22	Average Volume	13.9	14.1	(0.2)	22
23	Average Revenue	\$ 20.16	\$ 20.27	\$ (0.11)	23
24	EEP % of Average Revenue			-0.56%	24

SOUTHWEST GAS CORPORATION
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Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-25 Small General Service					
1	Bills	20,917	20,917	0	1
2	Volume (Therms)	376,916	383,504	(6,588)	2
3	Revenue	\$ 1,329,336	\$ 1,334,865	\$ (5,530)	3
4	Average Volume	18.0	18.3	(0.3)	4
5	Average Revenue	\$ 63.55	\$ 63.82	\$ (0.26)	5
6	EEP % of Average Revenue			-0.41%	6
G-25 Medium General Service					
7	Bills	27,828	27,828	0	7
8	Volume (Therms)	5,503,069	5,535,709	(32,640)	8
9	Revenue	\$ 6,458,478	\$ 6,473,439	\$ (14,962)	9
10	Average Volume	197.8	198.9	(1.2)	10
11	Average Revenue	\$ 232.09	\$ 232.62	\$ (0.54)	11
12	EEP % of Average Revenue			-0.23%	12
G-25 Large 1 General Service					
13	Bills	12,003	12,003	0	13
14	Volume (Therms)	14,070,271	14,083,499	(13,228)	14
15	Revenue	\$ 13,573,560	\$ 13,579,017	\$ (5,458)	15
16	Average Volume	1,172.2	1,173.3	(1.1)	16
17	Average Revenue	\$ 1,130.85	\$ 1,131.30	\$ (0.45)	17
18	EEP % of Average Revenue			-0.04%	18
G-25 Large 2 General Service					
19	Bills	739	739	0	19
20	Volume (Therms)	4,413,969	4,417,540	(3,571)	20
21	Revenue	\$ 3,754,839	\$ 3,755,870	\$ (1,030)	21
22	Average Volume	5,972.9	5,977.7	(4.8)	22
23	Average Revenue	\$ 5,080.97	\$ 5,082.37	\$ (1.39)	23
24	EEP % of Average Revenue			-0.03%	24

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Line No.	Description	With EEP	Without EEP	Difference	Line No.
Residential Sector					
1	Bills	958,305	958,305	0	1
2	Volume (Therms)	19,840,028	19,863,351	(23,323)	2
3	Revenue	\$ 33,799,589	\$ 33,813,452	\$ (13,863)	3
4	Average Volume	20.7	20.7	(0.0)	4
5	Average Revenue	\$ 35.27	\$ 35.28	\$ (0.01)	5
6	EEP % of Average Revenue			-0.04%	6
Non-Residential Sector					
7	Bills	35,398	35,398	0	7
8	Volume (Therms)	14,881,291	14,894,559	(13,268)	8
9	Revenue	\$ 15,256,656	\$ 15,264,954	\$ (8,298)	9
10	Average Volume	420.4	420.8	(0.4)	10
11	Average Revenue	\$ 431.00	\$ 431.24	\$ (0.23)	11
12	EEP % of Average Revenue			-0.05%	12

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Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-5 - Single-Family Residential					
1	Bills	883,131	883,131	0	1
2	Volume (Therms)	18,568,411	18,575,853	(7,442)	2
3	Revenue	\$ 31,924,572	\$ 31,930,052	\$ (5,480)	3
4	Average Volume	21.0	21.0	(0.0)	4
5	Average Revenue	\$ 36.15	\$ 36.16	\$ (0.01)	5
6	EEP % of Average Revenue			-0.02%	6
G-10 - Low Income Single-Family Residential					
7	Bills	38,954	38,954	0	7
8	Volume (Therms)	765,631	777,954	(12,323)	8
9	Revenue	\$ 938,104	\$ 944,170	\$ (6,066)	9
10	Average Volume	19.7	20.0	(0.3)	10
11	Average Revenue	\$ 24.08	\$ 24.24	\$ (0.16)	11
12	EEP % of Average Revenue			-0.64%	12
G-6 - Multi-Family Residential					
13	Bills	32,843	32,843	0	13
14	Volume (Therms)	453,434	456,099	(2,665)	14
15	Revenue	\$ 867,107	\$ 868,984	\$ (1,877)	15
16	Average Volume	13.8	13.9	(0.1)	16
17	Average Revenue	\$ 26.40	\$ 26.46	\$ (0.06)	17
18	EEP % of Average Revenue			-0.22%	18
G-11 - Low Income Multi-Family Residential					
19	Bills	3,377	3,377	0	19
20	Volume (Therms)	52,552	53,445	(893)	20
21	Revenue	\$ 69,805	\$ 70,246	\$ (441)	21
22	Average Volume	15.6	15.8	(0.3)	22
23	Average Revenue	\$ 20.67	\$ 20.80	\$ (0.13)	23
24	EEP % of Average Revenue			-0.63%	24

SOUTHWEST GAS CORPORTION
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Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-25 Small General Service					
1	Bills	12,569	12,569	0	1
2	Volume (Therms)	247,712	252,053	(4,341)	2
3	Revenue	\$ 784,218	\$ 787,860	\$ (3,642)	3
4	Average Volume	19.7	20.1	(0.3)	4
5	Average Revenue	\$ 62.39	\$ 62.68	\$ (0.29)	5
6	EEP % of Average Revenue			-0.46%	6
G-25 Medium General Service					
7	Bills	15,665	15,665	0	7
8	Volume (Therms)	3,338,866	3,357,335	(18,469)	8
9	Revenue	\$ 3,876,764	\$ 3,885,225	\$ (8,460)	9
10	Average Volume	213.1	214.3	(1.2)	10
11	Average Revenue	\$ 247.48	\$ 248.02	\$ (0.54)	11
12	EEP % of Average Revenue			-0.22%	12
G-25 Large 1 General Service					
13	Bills	6,733	6,733	0	13
14	Volume (Therms)	8,519,546	8,511,084	8,462	14
15	Revenue	\$ 8,233,679	\$ 8,230,186	\$ 3,493	15
16	Average Volume	1,265.3	1,264.1	1.3	16
17	Average Revenue	\$ 1,222.88	\$ 1,222.37	\$ 0.52	17
18	EEP % of Average Revenue			0.04%	18
G-25 Large 2 General Service					
19	Bills	431	431	0	19
20	Volume (Therms)	2,775,167	2,774,087	1,080	20
21	Revenue	\$ 2,361,995	\$ 2,361,684	\$ 312	21
22	Average Volume	6,438.9	6,436.4	2.5	22
23	Average Revenue	\$ 5,480.27	\$ 5,479.54	\$ 0.72	23
24	EEP % of Average Revenue			0.01%	24

SOUTHWEST GAS CORPORTION
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Line No.	Description	With EEP	Without EEP	Difference	Line No.
Residential Sector					
1	Bills	786,246	786,246	0	1
2	Volume (Therms)	10,876,073	11,059,115	(183,042)	2
3	Revenue	\$ 21,302,537	\$ 21,428,911	\$ (126,373)	3
4	Average Volume	13.8	14.1	(0.2)	4
5	Average Revenue	\$ 27.09	\$ 27.25	\$ (0.16)	5
6	EEP % of Average Revenue			-0.59%	6
Non-Residential Sector					
7	Bills	26,089	26,089	0	7
8	Volume (Therms)	9,482,934	9,525,693	(42,759)	8
9	Revenue	\$ 9,859,557	\$ 9,878,238	\$ (18,681)	9
10	Average Volume	363.5	365.1	(1.6)	10
11	Average Revenue	\$ 377.92	\$ 378.64	\$ (0.72)	11
12	EEP % of Average Revenue			-0.19%	12

SOUTHWEST GAS CORPORATION
QUARTERLY ENERGY EFFICIENCY ENABLING PROVISION (EEP) REPORT
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Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-5 - Single-Family Residential					
1	Bills	727,323	727,323	0	1
2	Volume (Therms)	10,154,888	10,325,809	(170,921)	2
3	Revenue	\$ 20,019,984	\$ 20,139,902	\$ (119,918)	3
4	Average Volume	14.0	14.2	(0.2)	4
5	Average Revenue	\$ 27.53	\$ 27.69	\$ (0.16)	5
6	EEP % of Average Revenue			-0.60%	6
G-10 - Low Income Single-Family Residential					
7	Bills	31,090	31,090	0	7
8	Volume (Therms)	408,219	417,501	(9,282)	8
9	Revenue	\$ 643,256	\$ 647,823	\$ (4,568)	9
10	Average Volume	13.1	13.4	(0.3)	10
11	Average Revenue	\$ 20.69	\$ 20.84	\$ (0.15)	11
12	EEP % of Average Revenue			-0.71%	12
G-6 - Multi-Family Residential					
13	Bills	25,173	25,173	0	13
14	Volume (Therms)	281,495	283,847	(2,352)	14
15	Revenue	\$ 587,411	\$ 589,059	\$ (1,648)	15
16	Average Volume	11.2	11.3	(0.1)	16
17	Average Revenue	\$ 23.33	\$ 23.40	\$ (0.07)	17
18	EEP % of Average Revenue			-0.28%	18
G-11 - Low Income Multi-Family Residential					
19	Bills	2,660	2,660	0	19
20	Volume (Therms)	31,471	31,958	(487)	20
21	Revenue	\$ 51,887	\$ 52,126	\$ (239)	21
22	Average Volume	11.8	12.0	(0.2)	22
23	Average Revenue	\$ 19.51	\$ 19.60	\$ (0.09)	23
24	EEP % of Average Revenue			-0.46%	24

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Line No.	Description	With EEP	Without EEP	Difference	Line No.
G-25 Small General Service					
1	Bills	8,348	8,348	0	1
2	Volume (Therms)	129,204	131,451	(2,247)	2
3	Revenue	\$ 545,118	\$ 547,006	\$ (1,887)	3
4	Average Volume	15.5	15.7	(0.3)	4
5	Average Revenue	\$ 65.30	\$ 65.53	\$ (0.23)	5
6	EEP % of Average Revenue			-0.35%	6
G-25 Medium General Service					
7	Bills	12,163	12,163	0	7
8	Volume (Therms)	2,164,203	2,178,374	(14,171)	8
9	Revenue	\$ 2,581,713	\$ 2,588,215	\$ (6,501)	9
10	Average Volume	177.9	179.1	(1.2)	10
11	Average Revenue	\$ 212.26	\$ 212.79	\$ (0.53)	11
12	EEP % of Average Revenue			-0.25%	12
G-25 Large 1 General Service					
13	Bills	5,270	5,270	0	13
14	Volume (Therms)	5,550,725	5,572,415	(21,690)	14
15	Revenue	\$ 5,339,881	\$ 5,348,832	\$ (8,950)	15
16	Average Volume	1,053.3	1,057.4	(4.1)	16
17	Average Revenue	\$ 1,013.26	\$ 1,014.96	\$ (1.70)	17
18	EEP % of Average Revenue			-0.17%	18
G-25 Large 2 General Service					
19	Bills	308	308	0	19
20	Volume (Therms)	1,638,802	1,643,453	(4,651)	20
21	Revenue	\$ 1,392,844	\$ 1,394,186	\$ (1,342)	21
22	Average Volume	5,320.8	5,335.9	(15.1)	22
23	Average Revenue	\$ 4,522.22	\$ 4,526.58	\$ (4.36)	23
24	EEP % of Average Revenue			-0.10%	24